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RUEHTV/AMEMBASSY TEL AVIV IMMEDIATE 0849  
RHEHAAA/WHITE HOUSE WASHDC IMMEDIATE  
RUEATRS/DEPT OF TREASURY WASHDC IMMEDIATE  
RHMFISS/HQ USCENTCOM MACDILL AFB FL IMMEDIATE  
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C O N F I D E N T I A L SECTION 01 OF 02 DAMASCUS 001261

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NEA/ELA  
NSC FOR ABRAMS/DORAN/SINGH  
TREASURY FOR GLASER/LEBENSON  
EB/ESC/TFS FOR SALOOM

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TAGS: [ECON](#) [EINV](#) [ETTC](#) [SY](#)  
SUBJECT: SARG TRUMPETS BURGEONING ECONOMIC TIES WITH RUSSIA

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Classified By: CDA Stephen Seche for reasons 1.5 b/d.

11. (C) Summary. The recent meeting of the Russian-Syrian joint ministerial committee is one in a series of recent events ostensibly reflecting the increasing economic activity between the two countries. Though Syria remains a difficult place for anyone to do business, the Russians are reportedly being offered potentially lucrative contracts to entice new interest, especially in the oil and gas sector. Our Russian counterparts tell us, however, that their country's economic interests in Syria are much less than the SARG tries to make them appear and there is very little possibility they will increase anytime soon. End summary.

12. (U) The fourth annual meeting of the Syria-Russia joint ministerial committee was held in Moscow on March 14-16, according to local press reports and Russian diplomats. The SARG was represented by Minister of Economy and Trade, Amer Hosni Lutfi. Syrian press reported that a number of specific agreements were concluded during the meeting, including a lowering of the Russian customs tariffs on Syrian-origin goods by 25 percent. Also a standards and specifications agreement was reportedly concluded that will make it easier for Russian companies to compete for SARG tenders. The Syrian press quoted Lutfi as pointing to the increasing trade volume between the two countries as just one manifestation of the strength of the bilateral economic relationship. (Note. Russia is currently Syria's number three trading partner, behind Ukraine and China. According to Lutfi, trade between Russia and Syria increased by USD 120 million in 2005 compared to 2004. End note.) The state-controlled Syrian press quoted Lutfi's counterpart, Igor Ivanov, as affirming that the GOR will continue to support and conclude agreements with Syria & no matter the pressures put on the country or the region.<sup>8</sup>

13. (C) Alexey Erkhov, DCM at the Russian Embassy, gave us a very different readout of the meeting. According to Erkhov, no agreements of significance were concluded. He dismissed the reports of his government granting Syria a 25 percent reduction in customs tariffs as lacking a basis in Russian law. Erkhov insisted that he expected no more to come of the meeting than had come of the three previous ) vague public statements of mutual support, a photo op for the Syrians, and then a complete lack of follow-up by either side. Erkhov opined that the unproductive nature of the annual meeting

would not change until the underlying business interest, which Erkhov described on the Russian side as being lukewarm at best, increased.

¶4. (C) Despite Erkhov,s gloomy forecast, there has been a steady stream of announcements of new Russian business initiatives over the last six months: a USD 2.7 billion oil refinery and petrochemical complex, a 324 kilometer gas pipeline, a USD 210 million gas processing plant, a USD 80 million tourism project on the coast, a production sharing contract with Tatneft for a new oil exploration block, and an unnamed Russian company winning a tender to expand two electricity plants ) a tender area previously dominated by Japan,s Mitsubishi company. The highest profile announcement has been Russian Stroytransgas signing in December contracts to build the first Syrian portion of the Arab gas pipeline for USD 160 million, and on the same day, the tender to build the gas processing plant. Erkhov also dismisses these initiatives as more reflective of the SARG,s strong desire to increase Russia,s economic interests in Syria than indicative of any increased Russsian business interest in the country, a point that was echoed and resented by those that bid against Stoytransgas for the project (reftel).

¶5. (C) Comment. Unstated but implicit in Erkhov,s comments is the SARG'S hope that Russia,s opposition to any United Nations measures against Syria will rise proportionally with its economic interests here. Erkhov counters this implicit point by insisting that Russia,s economic interests here have been, and will continue to be, less than compelling. The actual numbers seem to bear him out ) USD 460 million in bilateral trade in '05, according to Lutfi. Still Erkhov,s

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point begs the question, if Russia,s economic interests in Syria are so small, why do they dignify them with ministerial committees and high-level advocacy?  
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